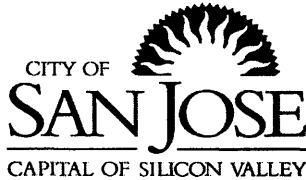


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by City Manager's Office
Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Joseph Horwedel
Leslye Krutko

SUBJECT: BAY AREA HOUSING PROFILE

DATE: 08-02-06

Approved

Deanna Sartre

Date

8/3/06

INFORMATION

EXECUTIVE SUMMARY

The Bay Area Council released its *Bay Area Housing Profile 2006 (Profile 2006)*, a “report card” on the Bay Area’s success in meeting its regional housing needs. Specifically, the report looks at how each of the Bay Area’s 101 cities and nine counties did with regards to permit issuance and affordable housing production as compared to their housing need as determined by the Association of Bay Area Governments.

- **Permits:**

- The City of San José is a leader in permit issuance. It received an A for issuing 24,234 housing permits versus a total housing need of 25,244 units (96% completion rate).
- Santa Clara County received a C+ for issuing 43,407 housing permits versus a total housing need of 56,058 units (77% completion rate).

- **Affordable housing:**

- The City of San José’s affordable housing production is exceptional. It received an A+ for producing 16,184 units of affordable housing versus a 14,294-unit need (113% completion rate). It is one of only fifteen of the total 101 cities analyzed to receive higher than an F for its affordable housing production, and one of only eight cities to receive an A or higher.
- Santa Clara County received a D for producing 20,316 units of affordable housing versus a 31,489-unit need (65% completion rate). However, this is the highest grade at the county level: the other eight Bay Area counties each received F’s for their affordable housing production levels.

BACKGROUND

The Bay Area Council released its *Bay Area Housing Profile 2006 (Profile 2006)*, a “report card” on the Bay Area’s success in meeting its regional housing needs. The Association of Bay

Area Governments (ABAG) determines the housing needs, known as the Regional Housing Needs Allocation¹ (RHNA), for the area's cities and counties. RHNA has two components: 1) the total number of housing units needed (inclusive of all types); and 2) the total number of affordable housing units needed.

The counties and cities in *Profile 2006* are graded in two areas: total housing permits issued ("permits") and affordable housing units actually produced ("affordable housing").² The first component is graded based on a comparison of the total number of housing permits issued between 1999 and 2005, and the total number of housing units the region needs. Similarly, the second component is graded based on a comparison of the actual number of affordable housing units produced over the seven-year period, and the total number of affordable housing units the region needs.

Note that while ABAG's regional housing needs determination spans the 7.5-year period from January 1, 1999 to June 30, 2006, *Profile 2006* covers only the seven-year period beginning January 1, 1999 and ending December 31, 2005. Consequently, the Bay Area Council downward adjusts ABAG's 7.5-year regional housing needs figures to fit into the seven-year time frame of the report.

Furthermore, *Profile 2006* uses the terminology "housing production" to refer to permit production. The terminology is a misnomer. While the number of permits issued suggests potential housing production, it does not indicate actual production. An important next step, which *Profile* does not do, would be to see if the permitted units are actually built.

ANALYSIS

Permits

San Jose: In the permits category, San José, with a 96% RHNA completion rate and a score of A, was one of thirty-seven cities, out of the 101 cities studied, that had a score of A or better. While this score is impressive on its own terms, it is even more so considering that San José far exceeded every other city in terms of housing need and permit production. San José's total housing need (25,244 units) is almost triple Oakland's (7,399 units), the city with the second largest overall housing need.³ (See Appendix 1 for details on the number of permits produced by cities in Santa Clara County and Bay Area cities with populations over 75,000.)

Santa Clara County: Out of the nine counties studied, Santa Clara County produced the most permits, but only had a 77% completion rate and a C+ grade. Although Santa Clara County had only an average completion rate, it issued 8% more permits than Contra Costa County – the second largest issuer and recipient of an A+ grade. (See Appendix 2)

¹ The report uses the term Regional Housing Needs Determination (RHND). However, this memorandum uses the more familiar term Regional Housing Needs Allocation (RHNA) to describe the same numbers.

² The grading scale is similar to that used in schools, where: $\geq 100\%$ = A+; 95-99% = A; 90-94% = A-; 87-89% = B+; 83-86% = B; 80-82% = B-; 77-79% = C+; 73-76% = C; 70-72% = C-; 67-69% = D+; 63-66% = D; 60-62% = D-; < 60% = F

³ San Francisco, the jurisdiction with the second highest housing need, is both a city and a county.

Affordable Housing

San Jose: The City of San José scored exceptionally well in the area of affordable housing. The City produced 16,184 affordable units versus a 14,294-unit need, for a 113% completion rate and an A+ grade. San José was one of only eight cities to score an A or higher in this area. Alternatively, sixty-two of the cities received an F for affordable housing production.⁴ San José's affordable housing need and output far exceeded the next closest city. San José produced two and one-half times the affordable housing as the city/county of San Francisco, the second highest producer of units. (See Appendix 3)

Of the thirty-seven cities that received an A or higher for permit production, only five (San José, Colma, Hercules, San Pablo, and Pleasant Hill) also received an A or higher for affordable housing production. Thus, while the "A" permit producing cities are successful in potentially meeting their total housing needs, the majority fail to turn those permits into affordable housing.

Finally, San José is the only city in Santa Clara County with reported information on affordable housing production to score higher than an F in this category. Milpitas, the second highest affordable housing producer in the county, produced only 857 units, or 40%, of its allocated 2,122 affordable units. This suggests that San Jose is shouldering a majority of the region's affordable housing needs.

Santa Clara County: Santa Clara County produced 20,316 affordable units versus a need of 31,489-units, for a 65% completion rate and a D grade. Although this is a poor performance in absolute terms, it is a relative success when compared to the other eight Bay Area counties. The remaining counties all earned an F in this category, and, with the exception of San Francisco, no other county produced more than half of its ABAG allocated affordable units. Santa Clara County produced nearly three times the output of Contra Costa County, the second highest producer of affordable units. The county's success was in large part due to San José's efforts: although San José contained only 57% of the county's total population in 2000, it produced 80% of its affordable housing.

CONCLUSION

The *Bay Area Housing Profile 2006* demonstrates that San José is a leading producer of housing permits and affordable housing. The City produced 96% of the permits necessary to meet its total housing needs, and built more than the number of affordable units allocated to it by ABAG. Comparatively, the Bay Area region as a whole did not issue enough building permits nor produce enough affordable housing units to meet ABAG's total regional housing allocation.

⁴ Due to a lack of information on their affordable housing production, thirty-two of the cities studied were given a 0% completion rate and the grade of "n/a". However, not enough information is given to determine the grade score of these cities.

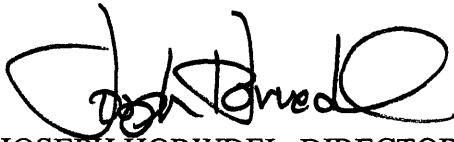
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The latter shortfall is especially pronounced. Although the Bay Area collectively earned a B for its permitting activity, the entire region received an F for affordable housing production. In Santa Clara County, San Jose, with an A+, was the only city to score higher than an F in affordable housing production. *Profile 2006* clearly reveals the significant disparity between San Jose's affordable housing efforts and those of the other cities in the county and the majority of the cities in the Bay Area. As San José continues its leading role in housing, it should continue to work with the rest of the Bay Area to assist them in meeting the affordable housing needs of the region.



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LESLEYE KRUTKO
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Appendix 1. City Level Permit Activity & Grades

City	2000 Population	Permits 1999-2005	RHNA 1999-2005	Percent Completed	Grade
Bay Area Cities with Populations over 75,000					
San Jose	894,943	24,234	25,244	96%	A
San Francisco ⁵	776,733	16,999	19,693	86%	B
Oakland	399,484	6,474	7,475	87%	B
Fremont	203,413	2,418	6,484	37%	F
Santa Rosa	147,595	7,319	7,399	99%	A
Hayward	140,030	2,247	2,741	82%	B-
Sunnyvale	131,760	1,710	3,708	46%	F
Concord	121,780	1,633	2,242	73%	C-
Vallejo	116,760	3,037	3,134	97%	A
Daly City	103,621	398	1,345	30%	F
Berkeley	102,743	1,220	1,227	99%	A
Santa Clara	102,361	4,226	6,128	69%	D+
Richmond	99,216	2,124	2,516	84%	B
Fairfield	96,178	6,058	3,685	164%	A+
San Mateo	92,482	1,338	2,356	57%	F
Antioch	90,532	4,656	4,310	108%	A+
Vacaville	88,625	3,731	4,481	83%	B
San Leandro	79,452	1,056	841	126%	A+
Redwood City	75,402	458	2,459	19%	F
Other Cities in Santa Clara County					
Mountain View	70,708	1,136	3,309	34%	F
Milpitas	62,698	1,265	4,203	30%	F
Palo Alto	58,598	2,024	1,350	150%	A+
Cupertino	50,546	1,188	2,629	45%	F
Gilroy	41,464	2,701	3,621	75%	C
Campbell	38,138	479	751	64%	D
Morgan Hill	33,556	1,683	2,401	70%	C-
Saratoga	29,843	580	521	111%	A+
Los Gatos	28,592	377	389	97%	A
Los Altos	27,693	418	252	166%	A+
Los Altos Hills	7,902	206	80	258%	A+
Monte Sereno	3,483	76	73	104%	A+

⁵ Numbers are for both San Francisco city and county.

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Appendix 2. County Level Permit Activity & Grades

County	Permits 1999-2005	RHNA 1999-2005	Surplus/(Deficit)	Percent Completed	Grade
Santa Clara	43,407	56,058	(12,651)	77%	C+
Contra Costa	40,067	33,206	6,861	121%	A+
Alameda	30,154	45,233	(15,079)	67%	D+
Sonoma	17,425	21,569	(4,144)	81%	B-
Solano	17,333	18,058	(725)	96%	A
San Francisco	16,999	19,693	(2,694)	86%	B
San Mateo	9,365	15,762	(6,397)	59%	F
Napa	4,929	6,828	(1,899)	72%	C-
Marin	4,397	6,298	(1,901)	70%	C-
Bay Area	184,076	222,705	(38,629)	83%	B

Appendix 3. City Level Affordable Housing Production & Grades

City	2000 Population	Affordable Units Produced 1999-2005	Affordable RHNA 1999-2005	Percent Completed	Grade
Bay Area Cities with Populations over 75,000					
San Jose	894,943	16,184	14,787	113%	A+
San Francisco ⁶	776,733	6,455	13,009	51%	F
Oakland	399,484	2,688	5,166	54%	F
Fremont	203,413	898	3,529	26%	F
Santa Rosa	147,595	2,513	4,629	56%	F
Hayward	140,030	793	1,803	46%	F
Sunnyvale	131,760	355	2,172	16%	F
Concord	121,780	1,090	1,332	85%	B
Vallejo	116,760	1,626	1,943	87%	B
Daly City	103,621	*	813	0%	n/a
Berkeley	102,743	374	814	48%	F
Santa Clara	102,361	1,092	3,670	31%	F
Richmond	99,216	1,633	1,369	123%	A+
Fairfield	96,178	1,070	2,306	48%	F
San Mateo	92,482	165	1,391	12%	F
Antioch	90,532	618	2,586	25%	F
Vacaville	88,625	1,626	1,943	87%	B
San Leandro	79,452	414	553	77%	C+
Redwood City	75,402	239	1,450	17%	F
Other Cities in Santa Clara County					
Mountain View	70,708	544	2,020	28%	F
Milpitas	62,698	857	2,195	40%	F
Palo Alto	58,598	351	724	50%	F
Cupertino	50,546	*	1,254	0%	n/a
Gilroy	41,464	435	2,270	20%	F
Campbell	38,138	21	456	5%	F
Morgan Hill	33,556	485	1,298	39%	F
Saratoga	29,843	*	219	0%	n/a
Los Gatos	28,592	12	204	6%	F
Los Altos	27,693	*	114	0%	n/a
Los Altos Hills	7,902	*	30	0%	n/a
Monte Sereno	3,483	*	28	0%	n/a

* No affordable housing production numbers were reported for these jurisdictions.

⁶ Numbers are for both San Francisco city and county.

Appendix 4. County Level Affordable Housing Production & Grades

County	Affordable Units Produced 1999-2005	RHNA 1999-2005	Percent Completed	Grade
Santa Clara	20,316	31,489	65%	D
San Francisco	6,455	12,575	51%	F
Contra Costa	7,591	18,147	42%	F
Marin	1,429	3,466	41%	F
Solana	3,834	10,726	36%	F
Sonoma	3,961	12,875	31%	F
Alameda	7,291	26,607	27%	F
San Mateo	1,812	8,783	21%	F
Napa	802	4,087	20%	F
Bay Area	53,491	128,755	42%	F